

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

HAROLD TELEPHONE COMPANY'S)	
PROPOSED TARIFF FILING TO ESTABLISH)	CASE NO. 10139
NON-RECURRING AND RECURRING CHARGES)	

O R D E R

On September 14, 1987, Harold Telephone Company ("Harold") filed a tariff proposing to establish charges for late payment of services, rates for custom calling features, and an installation charge for both touch-tone service and custom calling features. Included in the tariff filing was specific cost justification for the proposed late charge and for touch-tone and custom calling features. In an Order dated March 1, 1988, the Commission suspended the proposed tariff for 5 months or until August 1, 1988. Harold was also ordered to provide notice of the proposed rates and charges in accordance with the provisions set out in 807 KAR 5:011, Section 8(2) and (3).

On March 30, 1988, the Commission issued an additional Order requesting that Harold provide an absorption test, a modified tariff to reflect the terms and conditions of the late payment charge, and information concerning the cost justification for custom calling features and touch-tone service. On April 12, 1988, Harold filed the information requested in the Commission's Order dated March 30, 1988. On May 2, 1988, Harold filed additions and corrections to its filing of April 12, 1988.

In compliance with the Commission's initial Order in the case, Harold filed on May 26, 1988 a copy of its notice of the proposed rates and charges and an affidavit confirming publication of the notice.

Discussion

The financial information submitted by Harold in its absorption test consisted of revenues, expenses, and net investment for a 12-month test period ending December 31, 1987, proposed adjustments, and the adjusted test period operations as of December 31, 1987. An analysis of the financial information revealed as of December 31, 1987, Harold's realized rate of return on net investment was 10.12 percent. After including the late payment charge and excluding the revenue and expenses attributable to custom calling features, Harold's pro forma return was 10.14 percent. However, as determined in Case No. 8137,¹ Harold's authorized rate of return is 8.5 percent. Harold stated that it does not consider the 8.5 percent authorized return to be necessarily representative of current conditions and events.

The non-recurring charge regulation, 807 KAR 5:011, Section 10, does not contemplate the inclusion of pro forma adjustments nor any change in the return authorized in the utility's last general rate case. Consideration of these items defeats the purpose of the regulation which is to allow changes in non-recurring rates in the interval between general rate cases. If an absorption test based on actual operations adjusted for the

¹ Adjustment of Rates of Harold Telephone Company, Inc.

change in revenues from the proposed non-recurring charges shows that the utility is over-earning, and the utility is of the opinion that its authorized return no longer reflects current economic conditions, then the utility should file a general rate case to determine the appropriate level of earnings and the proper charges for all services. Harold is currently earning in excess of the return authorized in its last general rate case. As indicated in the application, revenues from custom calling features will not increase current earning levels because they are already included; however, any additional revenues from the late payment charge would result in the company further exceeding the authorized return.

The Commission being advised, is of the opinion and finds that Harold can absorb the cost associated with the proposed charge for late payment of services, based on the fact that its current earnings exceed the return authorized in the last general rate case. Therefore, the proposed late charge should be denied.

The rates and charges for custom calling features have been in effect since digital equipment was installed in 1983; however, approval of those rates and charges was never given by the Commission. Because Harold may have violated KRS 278.160 by implementing rates and charges prior to filing schedules with Commission, the Commission has established a separate proceeding,

Case No. 10170,² to address this issue. Given the number of customers presently utilizing custom calling features and considering the benefits they receive from them, denial of the rates and charges would be inappropriate. Therefore, the Commission is of the opinion that the rates and charges for custom calling features are reasonable and should be approved as of the date of this Order.

IT IS THEREFORE ORDERED that:

1. Harold's charge for late payment of service be and it hereby is denied.

2. Harold's rates and charges for custom calling features and installation charge for touch-tone services as set out in Appendix A shall be approved for services rendered.


3. Within 30 days from the date of this Order, Harold shall file its tariff sheets setting out the rates and charges approved herein.

² Investigation Into Harold Telephone Company's Proposed Tariff Filing To Establish Non-recurring and Recurring Charges Including An Alleged Failure To Comply With KRS 278.160.

Done at Frankfort, Kentucky, this 29th day of June, 1988.

PUBLIC SERVICE COMMISSION


Chairman


Vice Chairman


Commissioner

ATTEST:

Executive Director

APPENDIX A

APPENDIX TO AN ORDER OF THE KENTUCKY PUBLIC SERVICE COMMISSION IN CASE NO. 10139 DATED 6/29/88

The following rates and charges are prescribed for the customers in the area served by Harold Telephone Company, Inc. All other rates and charges not specifically mentioned herein shall remain the same as those in effect under authority of this Commission prior to the effective date of this Order.

Touch-Tone Service

Installation Charge	\$10.00
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<u>Custom Calling Features</u>	<u>Monthly Rate</u>
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1. Call Waiting:

Residence - per line	\$2.50
Residence - per line	4.50
Business - per trunk	4.50

2. Call Forwarding:

Residence - per line	\$1.75
Residence - per line	3.00
Business - per trunk	3.00

3. Three-way Conferencing:

Residence - per line	\$3.25
Residence - per line	3.75
Business - per trunk	3.75

4. Long-Speed Call:

Residence - per line	\$2.00
Residence - per line	2.50
Business - per trunk	2.50
Installation Charge	\$10.00